

REVISED BY THE SALES & USE TAX SUBCOMMITTEE – DEC. 11, 2014

“Engaged in Business” Model Statute – Use Tax Option B

Retailer subject to collection authority.

(a) A retailer who sells [tangible personal property and/or taxable services*] for storage, use, or other consumption in this state, not otherwise exempt under this Act, shall register with the Department and collect the use tax levied under this Act.

(b) A retailer shall be subject to the use tax collection duties under this Act if it has a sufficient connection, under the Constitution of the United States, with this state to be subject to such duties. A retailer subject to use tax collection duties under this Act specifically includes, but is not limited to, any of the following:

(1) Any retailer maintaining, occupying, or using, permanently or temporarily, directly or indirectly, or through a related party, or agent, by whatever name called, an office, place of distribution, sales or sample room or place, warehouse or storage place, or other place of business in this state.

(2) Any retailer having, permanently or temporarily, any employee, representative, agent, salesperson, independent contractor, or any other person operating on the retailer’s behalf. This includes a person operating in this state under the authority of the retailer or a related party for the purpose of selling, delivering, installing, assembling, performing maintenance or repair services for the retailer’s purchasers in this state, or the taking of orders for [tangible personal property and/or taxable services*] sold by the retailer, or otherwise establishing or maintaining a market for the retailer’s products for storage, use or consumption in this state.

(3) Any retailer owning or leasing any real or tangible personal property situated in this state.

(4) Any retailer for whom a related party pursuant to an agreement with or in cooperation with the retailer: (A) owns or leases any real or tangible personal

1 property, or performs services in this state in connection with the sale of [tangible
2 personal property and/or taxable services*] for storage, use or consumption in this state,
3 including, but not limited to, services to design and develop tangible personal
4 property sold by the retailer, the solicitation of sales of tangible personal property
5 on behalf of the retailer; or (B) uses trademarks, service marks or trade names in
6 this state that are the same or substantially similar to those used by the retailer.

7 (c)

8 (1) In addition to Subsection (b) above, a retailer who sells [tangible personal property and/or
9 taxable services*] for storage, use, or other consumption in this state shall be presumed to
10 be required to collect the tax levied under this Act if the retailer enters into an
11 agreement, directly or indirectly, with one or more residents of this state under
12 which the resident, for a commission or other consideration based on completed
13 sales, directly or indirectly, refers potential purchasers to the retailer, whether by a
14 link on an internet website, written or oral presentation, or otherwise, and if the
15 cumulative gross receipts from sales by the retailer to purchasers in this state who
16 are referred to the retailer by all residents of this state with such an agreement with
17 the retailer is greater than \$10,000.00 during the immediately preceding 12 months.
18 The presumption created by this Subsection shall not apply if the retailer's total
19 cumulative gross receipts from sales to purchasers in this state do not exceed \$
20 _____ during the twelve months immediately preceding the sale. [optional: small
21 seller exception]

22 (2) The presumption created by the operation of Subsection (e)(1) above may be
23 rebutted by proof that the resident with whom the retailer has an agreement did not
24 engage in any solicitation in the state on behalf of the retailer that would be
25 sufficiently connected with this state under the United States during the same
26 preceding 12 months. Evidence to rebut the presumption may consist of verified
27 written statements from all residents with whom the retailer has an agreement
28 stating that they did not engage in any such solicitation or other activities in this
29 state on behalf of the retailer during the preceding 12 months if the statements are

provided and obtained in good faith.

(3) An agreement for advertising services with a person or persons in this state, to be delivered on television, radio, in print, on the Internet, or by any similar medium, is not an agreement described in Subsection (c)(1) above, unless the person entering the agreement with the retailer also directly or indirectly solicits potential customers in this state for the retailer through use of flyers, newsletters, telephone calls, electronic mail, blogs, microblogs, social networking sites, or other means of direct or indirect solicitation specifically targeted at potential customers in this state. For purposes of this subsection, an agreement for services based upon commissions or other consideration conditioned upon completed sales in this state is not an agreement for advertising services.

(4) This Subsection shall apply without regard to the date the retailer and the resident entered into the agreement described herein.

(5) The twelve months before the effective date of this Act are included as part of the preceding twelve (12) months for purposes of this Subsection (e).

(d) For purposes of this Section, a retailer and another person are considered related parties if they meet any one of the following tests:

(1) the retailer and one or more persons are component members of the same controlled group of corporations under section 1563 of the Internal Revenue Code; or

(2) the retailer is a related taxpayer to the other person under the provisions of section 267 of the Internal Revenue Code; or

(3) the retailer and the other person is a corporation, limited liability company, partnership, estate, or trust, and such corporation, limited liability company, partnership, estate, or trust and its shareholders, members, partners, or beneficiaries own in the aggregate directly, indirectly, beneficially, or constructively at least 50 percent of the profits, capital, stock, or value of the other

1 entity or both entities.

2 (e) A retailer, whether or not engaged in business in this state or authorized to do
3 business in this state, shall be subject to use tax collection duties in this state if
4 federal law permits this state to impose such duties on the retailer.

5 (f) The definitions in this Section are only applicable to the taxes [^{levied under this Act*}].

6 (g) The provisions of this Section are severable. If any provision of this Section or its
7 application is held invalid, that invalidity shall not affect other provisions or
8 applications that can be given effect without the invalid provision or application.

9 (h) This statute applies to sales made on or after [effective date].

*States can insert language within the brackets to correspond to their particular
taxing schema.